

Interim Financial Report Q1 - 2006

BERGESEN WORLDWIDE OFFSHORE LTD GROUP
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Summary Q1 - 2006

- The Group's EBITDA is USD 7.1 million in 1Q-2006 compared to USD 0.9 million in 1Q-2005.
- The Group reports an operating profit (EBIT) of USD 2.5 million and a net loss of USD 3.9 million for first quarter, after an unrealised currency exchange loss of USD 1.0 million.
- Investments in first quarter 2006 amount to USD 52.7 million, which mainly relate to on-going conversion projects. Total assets as at 31 March amount to USD 535 million.
- In February 2006, Berge Helene started operations at the Chinguetti field, offshore Mauritania.

Bergesen Worldwide Offshore Limited – Operations

Bergesen Worldwide Offshore Limited ("the Company") is incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Bergesen Worldwide Offshore ("the Group") consists of Bergesen Worldwide Offshore Limited and its subsidiaries.

In June 2005, Bergesen Worldwide Limited ("BWW") announced its intention to restructure the business into separate stand-alone entities for gas, offshore, tanker and dry bulk within the Bergesen Worldwide Limited ("BW Group"). As part of this restructuring, the Company was established in Bermuda in June 2005 as a wholly owned subsidiary of BW Group to serve as the holding company for the activities within the offshore segment of the BW Group. The offshore business was previously held by Bergesen Worldwide Gas ASA ("BW Gas") (previously Bergesen d.y. ASA) within the BW Group. The offshore business was separated through a purchase of the offshore units by the newly established group of single purpose companies wholly-owned by the Company. Also as part of the restructuring, the new management company, Bergesen Worldwide Offshore AS, was established by the Company to, among other things, manage the offshore units. Personnel related to the offshore business in BW Gas were transferred to Bergesen Worldwide Offshore AS.

The business of the Group comprises the construction/conversion, ownership and operation of a fleet of floating production, storage and off-loading ("FPSO") and floating storage and off-loading ("FSO") vessels.

The Group is an international oil services group focused on the market for Floating Production Storage and Offloading. The Group's operations date back to a division established by Bergesen d.y. ASA in 1997. The BW Offshore Group has grown to become one of the global leaders in the FPSO market. BW Offshore's fleet has primarily been based on VLCC hulls with storage capacity in the range of 2 million barrels. However, as BW Offshore has grown, the Group's scope has increased significantly. The fleet currently includes five oil FPSOs, one Arctic FSO and one LPG FPSO. The Company is incorporated and has its domicile in Bermuda and the management company is located in Oslo, Norway. The Group has representative offices in Malaysia, Mauritania and Nigeria, and a site office is established in Singapore.

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The Group's business model is based on a build, own and operate model. The Group is a dependable contractor for long-term lease arrangements as well as a provider of shorter-term solutions.

The Group is combining flexible designs with hands-on project management and quality marine process operations. The Group has developed designs for FPSO/FSO vessels, which provide standardised solutions, while at the same time providing the flexibility required to adopt the design to the particular project. This philosophy is making the Group able to offer versatile solutions from lean fast track projects to large and complex conversions, both for oil and gas.

The Group's current fleet of vessels is as follows:

Name of unit	Country of operation	Employed from – to
<u>FPSOs</u>		
Berge Okoloba Toru	Nigeria	2005 – 2009 with options
Sendje Berge	Nigeria	2005 – 2009 with options
Berge Helene	Mauretania	2006 – 2013 with options
BW Enterprise	Mexico	2007 – 2022
BW Endeavour *)	–	Uncommitted
<u>ULCC, conversion candidate</u>		
BW Nisa	Malaysia	2006 – Temporary FSO
<u>Arctic FSO</u>		
Belokamenka	Russia	2004 – 2019

*) Delivered in May 2006

BW Offshore currently has the BW Nisa (323,000 Dwt) and the BW Endeavour (142,000 Dwt) available for future oil FPSO projects.

BW Offshore entered into a strategic cooperation with Malaysian International Shipping Corporation (MISC), a subsidiary of Petronas, the Malaysian state-owned oil company, in May 2005. The main objective of this cooperation is to develop gas FPSOs to be applied on the Malaysian shelf. BW Offshore has recently set up a representative office in Kuala Lumpur in support of the cooperation.

Berge Helene has in February 2006 started operations at the Chinguetti field, offshore Mauritania. The unit will be commissioned and expected final acceptance of the contract with Woodside Petroleum is expected to be in May 2006.

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Equity and borrowings

As of 31 March 2006, BW Offshore has net liabilities and significant capital commitments. The negative equity position was USD – 89.4 million at 31 March 2006, compared to equity of positive USD 72.5 million at 31 March 2005. The reason for the negative development in equity was distribution to owner of cash of USD 154.5 million and assets of USD 4.4 million in connection with the formation of the new BW Offshore in August 2005. As of 31 March 2006, borrowings consisted of short term debt from BW Limited in the total amount of USD 566 million. The Company has initiated measures in the second quarter to ensure that its capital structure going forward is deemed satisfactory (see notes).

Capital expenditure related to the purchase of the FPSO BW Endeavour, which is a candidate for further upgrade for a new potential contract, but not recognized in the financial statements as of 31 March 2006, is USD 42 million.

Environmental issues

The activities of the Group are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Compliance with such regulation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Environmental laws may result in a material increase in the costs of operating the Group's units or otherwise adversely affect the Group's financial condition, results of operations or prospects.

The discharge of oil, natural gas or other pollutants into the air or water may give rise to liabilities to foreign governments and third parties and may require the Group to incur costs to remedy such discharge. Environmental laws may also expose the Group to liability for the conduct of or conditions caused by others, or for acts of the Group which were in compliance with all applicable laws at the time such actions were taken. Furthermore, some environmental laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, which could result in liability for environmental damage without regard to negligence or fault.

Health, safety, environment, and quality

Health, safety, environment, and quality ("HSEQ") are given a high priority in all parts of the Group's management, FPSOs and support service processes. The Group's management systems address HSEQ in detail and ensure a high HSEQ standard throughout the whole organisation. BW Offshore's management has established policies for safety, security, occupational health and working environment, and environmental management. Measurable targets are defined for each onshore and offshore unit to ensure compliance with the laid down policies and to maintain a continuous improvement cycle. Personnel training and familiarisation with the said policies is recognised as one of the key activities in order to achieve a good HSEQ culture and minimise risks.

BW Offshore's management system addresses HSEQ in detail and is compliant with and certified in accordance with the International Safety Management code for the safe operation of ships and for pollution prevention. BW Offshore's FPSOs are certified in accordance with the requirements in the International Ship and Port Facility Security Code. In addition, BW Offshore is certified by the following international HSEQ standards:

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- ISO 9001 - Quality Management
- ISO 14001 - Environmental Management
- OHSAS 18001 - Occupational Health and Safety

Location and Employees

The day-to-day management of the Group is conducted by Bergesen Worldwide Offshore AS, which is the Group's management company in Oslo, Norway. The Group's assets are currently operating in Nigeria, Mauritania, Equatorial Guinea and Russia. In addition, the Group has recently entered into a contract for future operations in Mexico and has a strategic cooperation in Malaysia. The Group participate in a network of recruitment centres in Latvia, India and Philippines. Representative offices are located in Malaysia and Nigeria and a long-standing site office is established in Singapore.

The Group employed 93 permanent staff and 7 temporary staff as of March 2006 (of whom 46 worked offshore). Furthermore, 74 consultants were temporary involved in different projects.

Results 1 quarter 2006

Comparison of three month period ended 31 March 2006 and three month period ended 31 March 2005

The discussion below describes how the key business drivers have affected the Group's results of operations for the period ended 31 March 2006 compared to the period ended 31 March 2005.

Operating revenue

BW Offshore's revenue derived from charter hire increased by USD 12.5 million to USD 19.3 million for 2006 compared to USD 6.8 million for 2005. The increase was primarily attributable to increased activity with additional units operating. Three units where in operation as of 31 March 2006 compared to two units as of 31 March 2005.

First quarter 2005 comprise of revenue from Sendje Berge which was in operations as from 15 February 2005 and Berge Troll.

First quarter 2006 revenue includes charter income for Berge Helene which commenced operations at 24 February 2006, and Sendje Berge and Okoloba Toru throughout the whole period. Projects under conversion as of 31 March 2006 included BW Enterprise. BW Enterprise is currently under conversion, and will be ready for delivery to customer and operation in Mexico 2007. BW Nisa has undergone some upgrading of the hull and will commence operations on a FSO contract in May 2006.

On 31 March 2005, Berge Helene and Berge Okoloba Toru were undergoing conversion. Berge Okoloba Toru commenced operations in April 2005.

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Lease interest

BW Offshore's revenue derived from lease interest was steady at USD 1.2 million in both 2006 and 2005. The revenue is related to the lease of the FSO Belokamenka.

Operating expenses

Wage cost

Wage cost include both offshore crew and office employees. The salaries, social security and pensions were USD 5.3 million in 2006 compared to USD 1.3 million in 2005. The increase was primarily attributable to higher manning, which is a result of an increased number of FPSO units in the fleet.

Other operating expenses

Other operating expenses were USD 6.9 million in 2006 compared to USD 4.6 million in 2005. The increase was mainly attributable to the increase in the FPSO fleet.

Investments

Investments in first quarter 2006 amount to USD 52.7 million which relate mainly to ongoing conversion projects, while investments in first quarter 2005 amounted to USD 33.5.

Total assets

Due to new investments total assets increased by 272.5; from USD 262.5 million to USD 535.0 in 2006.

Depreciation and amortization

BW Offshore's depreciation charges increased in 2006 (USD 4.6 million) compared to 2005 (USD 0.3 million). The change is due to the number and value of units in operation in the respective years.

Operating profit before depreciations (EBITDA)

The Group's EBITDA is USD 7.1 million in 1Q-2006 compared to USD 0.9 million in 1Q-2005.

Operating Profit (EBIT)

BW Offshore's operating profit increased by USD 1.9 million to USD 2.5 million for 2006 compared to USD 0.6 million for 2005. The increase in operating profit in 2006 was primarily attributable to increase in number of FPSOs in the fleet.

Currency exchange gain (loss) – net

Currency exchange losses were USD 1.0 million in 2006 compared to a gain of USD 2.1 million in 2005. The gain in 2005 is related to net borrowings held in Norwegian Kroner ("NOK") when the offshore operations were still included in BW Gas until autumn 2005.

As part of BW Group, the Group has taken part in BW Group's currency risk management. The losses in 2006 relate to trade payables in other currencies than USD in conversion projects and

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pension liabilities denominated in NOK. Transactions in NOK reflect a temporary currency risk that will be sought mitigated in the Group's future currency strategy.

Interest income and expenses

Net interest expense in 2006 was USD 3.9 million compared to USD 0.7 million in 2005. The increase is due to an increase in the short term debt to BWW. The increase in short term debt to BWW is due to that the increase of the number of units in operations and in the total construction value has been financed with the short term debt together with a new financial structure after the restructuring into a stand-alone offshore entity.

Income tax expense

The tax expense increased by USD 1.4 million to USD 1.5 million in 2006. The Group is subject to taxation in the various countries in which it operates. The increase is due to increased activity. The Group is paying withholding taxes in the countries of operations regardless of whether the operations are profitable due to the fact that the taxation is based on a deemed profit.

Net profit

Based on the operating profit as discussed above, the profit decreased by USD 5.9 million to a loss of USD 3.9 million for 2006 compared to a profit of USD 2.0 million in 2005. Increased net interest expenses, currency losses and taxes are the main reason for the decrease in net profit.

Subsequent events

For subsequent events please see note 10 to the interim financial statements.

Board of Directors, 10 May 2006.